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AUDITOR-CONTROLLER

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DEPARTMENT OF AUDITOR-CONTROLLER**

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November 23, 2015

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: John Naimo 
Auditor-Controller

SUBJECT: **PENNACLE FOUNDATION, INC. – A COMMUNITY AND SENIOR SERVICES' LOS ANGELES COUNTY YOUTH JOBS PROGRAM PROVIDER – CONTRACT COMPLIANCE REVIEW – FISCAL YEARS 2013-14 AND 2014-15**

We completed a contract compliance review of Pennacle Foundation, Inc. (PFI or Agency), a Community and Senior Services' (CSS) Los Angeles County Youth Jobs (LAC Youth Jobs) Program provider. Our review covered a sample of transactions from Fiscal Years (FY) 2013-14 and 2014-15. The purpose of our review was to determine whether PFI provided services in compliance with their County contract and LAC Youth Jobs requirements, and appropriately accounted for and spent LAC Youth Jobs funds.

The LAC Youth Jobs Program provides paid work experience to youth and young adults between the ages of 14 to 21 years old from the California Work Opportunities and Responsibility to Kids, Foster, Probation, Homeless and General Relief Programs, and low-income households.

During FYs 2013-14 and 2014-15, CSS paid PFI a total of approximately \$311,071 on a cost-reimbursement basis. PFI provided services to participants residing in the Second Supervisorial District.

Results of Review

PFI did not have sufficient working capital to pay its debts. PFI's audited financial statements for the period ended December 31, 2013, reported that the Agency had no

cash on hand, incurred \$11,456 in overdraft bank fees, and had negative net assets of \$6,109. PFI also reported \$99,542 (88%) of the \$112,763 in accounts payables were more than 60 days past due as of October 3, 2014. According to Section 8.44.1 of their County contract, "a contractor shall be deemed to be insolvent if it has ceased to pay its debts for at least 60 days in the ordinary course of business, or cannot pay its debts as they become due."

PFI's attached response indicates that they will submit a financial plan to CSS by November 30, 2015.

PFI also billed CSS \$94,411 in questioned costs. For example, PFI:

- Overbilled CSS \$60,599 in FY 2013-14. During the fiscal year, the Agency billed CSS \$140,625. However, PFI's accounting records reported only \$80,026 in Program expenditures, resulting in PFI overbilling CSS \$60,599 (\$140,625 - \$80,026). According to management, discrepancies between their accounting records and the invoices were due to PFI billing CSS based on budget, rather than actual expenditures as required by Exhibit A, Section 15.1 of their County contract.
- Did not maintain adequate documentation, such as a current lease agreement, subcontractor agreements, and participant receipt logs, to support the \$26,624 (100%) of the expenditure transactions reviewed.
- Billed CSS \$6,585 in unallowable and unsupported payroll expenditures in July 2014.

PFI's attached response indicates that they will submit additional supporting documentation to CSS by November 30, 2015.

In addition, PFI did not always comply with the LAC Youth Jobs Program and their County contract requirements. For example, PFI did not:

- Have a written Cost Allocation Plan (Plan) and their shared costs were not equitably allocated to all benefited programs as required.

PFI's attached response indicates that they will submit a Plan to CSS by December 31, 2015, and work with CSS to provide additional information to support the allocations and determine possible repayment total by November 30, 2015.

- Maintain adequate segregation of duties or staff the minimum number of employees as required.

- Maintain separate cost centers to clearly identify funds received and expended on services provided, as required by Section A.2.0 of the Auditor-Controller Contract Accounting and Administration Handbook.
- Pay ten (59%) of the 17 participants reviewed for actual hours worked in excess of 120 hours.

PFI's attached response indicates that they will maintain adequate segregation of duties, staff the minimum number of employees, maintain separate cost centers, and pay the participants for actual hours worked.

Based on PFI's inability to pay their debts or comply with their County contract requirements, CSS should consider placing the Agency in the County's Contractor Alert Reporting Database.

As of June 30, 2015, PFI no longer contracts with CSS to provide LAC Youth Jobs Program services. However, CSS should ensure that all of our recommendations have been implemented prior to contracting with PFI in the future.

Details of our review, along with recommendations for corrective action, are attached (Attachment I).

Review of Report

We discussed our report with PFI and CSS. PFI's attached response (Attachment II) indicates that they concurred with our findings and recommendations. CSS management will work with PFI to ensure our recommendations are implemented.

We thank PFI management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:YP:iw

Attachments

- c: Sachi A. Hamai, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Diana Aronson, President, Board of Directors, Pennacle Foundation, Inc.
Carolyn C. Ruffin, Executive Director, Pennacle Foundation, Inc.
Public Information Office
Audit Committee

**PENNACLE FOUNDATION, INC.
LOS ANGELES COUNTY YOUTH JOBS PROGRAM
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2013-14 AND 2014-15**

FINANCIAL VIABILITY

Objective

Determine whether Pennacle Foundation, Inc. (PFI or Agency) is financially viable and maintains sufficient working capital to provide adequate services under their Community and Senior Services' (CSS) Los Angeles County Youth Jobs (LAC Youth Jobs) Program contract.

Verification

We interviewed Agency management, and reviewed their audited financial statements for the period ended December 31, 2013, financial records for Fiscal Years (FY) 2013-14 and 2014-15, and the prior audit report issued by the Department of Children and Family Services.

Results

PFI did not maintain sufficient working capital to pay their debts, which impacts their ability to provide appropriate Program services. Specifically, we noted:

- PFI's audited financial statements for the period ended December 31, 2013, reported that the Agency had no cash on hand, incurred \$11,456 in overdraft bank fees, and had negative net assets of \$6,109.
- PFI reported a negative cash balance of \$42,432 in their August 2014 bank reconciliation.
- PFI reported that \$99,542 (88%) of the \$112,763 in accounts payable were more than 60 days past due as of October 3, 2014.

According to Section 8.44.1 of their County contract, "a contractor shall be deemed to be insolvent if it has ceased to pay its debts for at least 60 days in the ordinary course of business, or cannot pay its debts as they become due."

Recommendations**Pennacle Foundation, Inc. management:**

1. **Submit a plan to Community and Senior Services on how the Agency plans to improve their financial condition and provide the level of services required by their County contract.**
2. **Ensure that bills are paid in accordance with their County contract.**

ELIGIBILITY**Objective**

Determine whether PFI provided services to eligible individuals for the LAC Youth Jobs Program.

Verification

We reviewed the case files for 15 (11%) of the 136 participants who received services from April through September 2014 for documentation to confirm their eligibility for LAC Youth Jobs Program services.

Results

PFI had documentation to support 14 (93%) of the 15 participants' eligibility for LAC Youth Jobs Program services. However, PFI enrolled one (7%) participant who was 22 years old at the time of enrollment. According to Exhibit A, Section 2.1 of their County contract, 21 is the age limit for the LAC Youth Jobs Program. Questioned costs relating to this participant's wages totaled \$603. However, PFI may have also billed CSS for other direct and indirect costs related to Program services provided to the ineligible participant, such as staff time.

Recommendations**Pennacle Foundation, Inc. management:**

3. **Repay Community and Senior Services \$603.**
4. **Determine the total direct and indirect costs related to Program services provided to the ineligible participant and repay Community and Senior Services.**
5. **Ensure staff determine the participant's eligibility for Program services prior to enrollment.**

BILLED SERVICES

Objective

Determine whether PFI provided the services billed to CSS in accordance with their County contract and LAC Youth Jobs guidelines.

Verification

We visited PFI's service site, and reviewed the case files for 15 (11%) of the 136 participants who received services from April through September 2014.

Results

Generally, PFI maintained documentation in the case files to support the services provided to the participants reviewed. However, PFI did not complete the Form I-9 for 12 (80%) of the 15 participants reviewed as required by the 2014 LAC Youth Jobs' Technical Assistance Guide. Specifically, PFI did not complete Section 2 of Form I-9 for the 12 participants.

Recommendation

6. Pennacle Foundation, Inc. management ensure the Form I-9 is completed as required.

CASH/REVENUE

Objective

Determine whether PFI properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank reconciliations were reviewed and approved by Agency management timely.

Verification

We interviewed Agency personnel, and reviewed their financial records, their three bank accounts' activity, and June to August 2014 bank reconciliations.

Results

PFI properly recorded revenue in their financial records and deposited cash receipts into their bank accounts timely. However, PFI did not obtain two signatures on checks over \$500 as required by Section B.2.1 of the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook). In addition, PFI did not always prepare their bank reconciliations properly as required by Section B.1.3 of the A-C Handbook. Specifically:

- The book balance on one of the Agency's August 2014 bank reconciliations did not reconcile to their financial records.
- PFI's June to August 2014 bank reconciliations were not prepared or reviewed in a timely manner.
- PFI's August 2014 bank reconciliations had 14 outstanding checks that were over 90 days old, totaling \$31,468. Although these outstanding checks were not related to the LAC Youth Jobs Program, PFI should ensure unclaimed or outstanding checks are canceled periodically and funds are credited to their respective programs.

Recommendations

Pennacle Foundation, Inc. management:

7. **Obtain two signatures on checks over \$500.**
8. **Ensure bank reconciliations are adequately supported and properly prepared and approved in a timely manner.**
9. **Ensure unclaimed or outstanding checks are canceled periodically and funds are credited to their respective programs.**

COST ALLOCATION PLAN/EXPENDITURES

Objective

Determine whether PFI's Cost Allocation Plan (Plan) complied with their County contract, and if expenditures billed to the LAC Youth Jobs Program were allowable, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, and reviewed their Plan and financial records for 11 non-payroll expenditures, totaling \$26,624, that the Agency billed to the LAC Youth Jobs Program for June and July 2014. In addition, we reconciled PFI's total FYs 2013-14 and 2014-15 invoiced amounts to their accounting records.

Results

PFI did not have a written Plan and their shared costs were not equitably allocated to all benefited programs as required by Section B.2.2 of the A-C Handbook. For example, PFI billed 100% of their July 2014 lease expenditures to CSS rather than allocating the lease amount to all benefited programs.

PFI also billed CSS \$87,223 in unsupported costs. Specifically, PFI:

- Overbilled CSS \$60,599 in FY 2013-14. During the fiscal year, the Agency billed CSS \$140,625. However, PFI's accounting records reported only \$80,026 in Program expenditures, resulting in PFI overbilling CSS \$60,599 (\$140,625 - \$80,026). According to management, discrepancies between their accounting records and the invoices were due to PFI billing CSS based on budget, rather than actual expenditures as required by Exhibit A, Section 15.1 of their County contract.
- Did not maintain adequate documentation, such as a current lease agreement, subcontractor agreements, participant receipt logs, and/or documentation to support the percentages used to allocate shared expenditures, to support the \$26,624 (100%) of the expenditure transactions reviewed.

In addition, PFI did not always comply with the LAC Youth Jobs Program and their County contract requirements. Specifically, PFI did not:

- Maintain separate cost centers to clearly identify funds received and expended on services provided as required by Section A.2.0 of the A-C Handbook.
- Obtain prior written approvals from CSS for their subcontractor services as required by Exhibit A, Section 13.1 of their County contract.
- Submit the Detailed Expenditure Report or report accruals on a monthly basis as required by Exhibit A, Section 15 of their County contract.
- Maintain adequate documentation, such as price quotations for procurement of services to support that all expenses were economical, proper, and reasonable to carry out the activities of the Program, as required by Section C.1.5 of the A-C Handbook.

Recommendations

Pennacle Foundation, Inc. management:

- 10. Repay Community and Senior Services \$87,223 (\$60,599 + \$26,624) or provide additional documentation to support the expenditures.**
- 11. Maintain adequate documentation to support Program expenditures.**
- 12. Prepare a written Cost Allocation Plan in compliance with their County contract and ensure shared costs are allocated to all benefited programs.**

13. **Reallocate the Fiscal Years 2013-14 and 2014-15 shared costs to all benefited programs and repay Community and Senior Services for any overbilled amounts.**
14. **Bill Community and Senior Services based on actual expenditures.**
15. **Establish separate cost centers by program and reallocate program expenditures by program cost centers and repay Community and Senior Services for any amounts that were overbilled.**
16. **Obtain prior written approvals from Community and Senior Services for all matters that require prior written approvals as specified in their County contract.**
17. **Submit the Detailed Expenditure Report and report accruals on a monthly basis.**
18. **Ensure purchases are properly procured based on all applicable rules and regulations.**

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the Agency maintained adequate internal controls over its fiscal operations. In addition, determine whether the Agency was in compliance with the LAC Youth Jobs Program and other County contract administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, and conducted an on-site visit.

Results

PFI did not maintain adequate internal controls over its business operations or comply with the LAC Youth Jobs Program and their County contract requirements. Specifically, PFI did not:

- Maintain adequate segregation of duties. For example, PFI's Executive Director has unrestricted access to both personnel and payroll functions. The Executive Director is authorized to hire and terminate employees, approve employees' pay rate changes, update and enter information into the payroll system, and sign payroll checks. In addition, the Executive Director is responsible for initiating, reviewing, and approving all purchases, the sole authorized user of the Agency's bank debit card, responsible for reviewing and approving the Agency's bank reconciliations, and

an authorized check signer. As previously indicated, PFI did not obtain two signatures on checks over \$500 as required.

- Staff the minimum number of employees as required by Exhibit A, Section 8.0 of their County contract. For example, PFI did not have at least one part-time accountant on staff or a minimum of two qualified training personnel on staff as required.
- Have written accounting and personnel policies and procedures manuals as required by Exhibit J, Section B of their County contract.
- Maintain executed worksite agreements for six (30%) of the 20 worksites the Agency contracted with, or complete two (40%) of the five worksite agreements reviewed with specific agreement terms as required by Exhibit A, Section 7.6 of their County contract.
- Maintain appropriate documentation to substantiate that all five worksite supervisors received the LAC Youth Jobs Program orientation as required by Exhibit A, Section 7.3 of their County contract.

Recommendations

Pennacle Foundation, Inc. management:

- 19. Maintain adequate segregation of duties and internal controls over its business operations.**
- 20. Maintain the minimum staffing levels to meet their County contract requirements.**
- 21. Develop written accounting and personnel policies and procedures manuals and ensure compliance by personnel.**
- 22. Ensure worksite agreements are maintained and completed as required.**
- 23. Maintain adequate documentation to support worksite supervisors received orientation concerning the Los Angeles County Youth Jobs Program.**

PAYROLL AND PERSONNEL

Objective

Determine whether PFI and participant employers appropriately charged payroll costs to the LAC Youth Jobs Program in accordance with their County contract and Program

requirements. In addition, determine whether the Agency obtained background clearances, verified employability, maintained proof of current driver's licenses, and maintained proof of automobile insurance, as required.

Verification

We compared the LAC Youth Jobs payroll costs for the one employee and 17 participants, totaling \$16,776 for July 2014, to the Agency's payroll records and time reports. We also reviewed the personnel file for the one employee assigned to the LAC Youth Jobs Program.

Results

PFI maintained the employee's personnel file as required. However, PFI billed CSS \$6,585 (39%) of the \$16,776 in payroll expenditures reviewed for unallowable and unsupported payroll expenditures. Specifically, PFI billed CSS:

- \$4,032 in participant wages for three individuals not eligible for LAC Youth Jobs Program services.
- \$2,553 in unsupported payroll expenditures. Specifically, PFI did not provide timecards for the one (100%) employee and two (12%) of the 17 participants reviewed.

PFI also did not pay ten (59%) of the 17 participants reviewed for actual hours worked in excess of 120 hours. According to Agency management, PFI limited the number of paid work experience hours to 120 hours over the term of the contract. However, according to the Fair Labor Standards Act, individuals should be paid for actual hours worked.

Recommendations

Refer to Recommendation 11.

Pennacle Foundation, Inc. management:

- 24. Repay Community and Senior Services \$6,585 (\$4,032 + \$2,553) or provide adequate documentation to support their payroll expenditures.**
- 25. Bill for allowable Program expenditures.**
- 26. Ensure individuals are paid for actual hours worked.**



Tuesday September 8, 2015

John Naimo, Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071

Mr. John Naimo

The following is Pennacle Foundation's detail Corrective Action Plan (CAP) in response to the Contract Compliance Review conducted back in the 3rd quarter of FY2014.

In regards to all of the 'Fiscal Viability' objects, the "Eligibility" objects, and the "Billed Services" objects the Board of Directors of Pennacle Foundation determined that in order for better oversight ensuring that the agency adheres to all terms and agreement of the contract, that the agency's current fiscal operations be re-organized. An accounting firm will be contracted to evaluate and redesign the accounting protocols and practices of the agency.

The new protocols and practices will be according to the generally accepted accounting principles (GAAP) and the fiscal requirements as detailed in the Accounting Controller's (A.C.) handbook. A full time accountant will be employed to oversee all accounting practices and procedures.

The Executive Director and the Fiscal Manager will be responsible for monitoring and ensuring that all fiscal reports for every regulatory agency be submitted within the require timeframe. The Board of Directors will hold these two positions accountable for the reports.

Specific due dates will be documented and reported to the officers of the Board when the task is completed. In addition a quarterly summation will be submitted at the quarterly board meeting.

Response to specific recommendations

Financial Viability

RECOMMENDATION 1 Submit a plan to Community and Senior Services to improve their financial condition, including how the Agency plans to pay its bills.

PFI Response.

We agree with this finding and accept that this recommendation requires an immediate administrative action, with a deadline established. PFI will submit a financial Plan to CSS by November 30, 2015

RECOMMENDATION 2 Ensure that debts are paid when they become due.

PFI Response.

We agree with this finding and accept that this recommendation requires an immediate commitment to change practices. Going forward, PFI is committed to following this practice at all times.

Eligibility

RECOMMENDATION 3 Repay Community and Senior Services \$603.

PFI Response.

We agree with this finding and accept that this recommendation requires PFI to work with CSS to provide any additional information or document to support actions and determine possible repayment. PFI will repay CSS \$603.00.

RECOMMENDATION 4 Determine the total direct and indirect costs related to Program services provided to the ineligible participant and repay Community and Senior Services.

PFI Response.

We agree with this finding and accept that this recommendation requires PFI to work with CSS to provide any additional information or document to support actions and determine possible repayment. PFI will review transactions associated with the ineligible participants and calculate the costs and repay CSS.

RECOMMENDATION 5 Ensure staff determine the participant's eligibility prior to enrollment.

Billed Services

RECOMMENDATION 6 Pennacle Foundation, Inc. management ensure the Form I-9 is completed as required.

PFI Response.

We agree with these findings and accept that these recommendations require an immediate commitment to follow program requirements. Going forward, PFI is committed to

following this program specific practice at all times

Cash Revenue

RECOMMENDATION 7 Obtain two signatures on checks over \$500.
We agree with this finding and accept that this recommendation requires an immediate administrative action, with a deadline established.

PFI Response.

PFI will immediately add an additional signer to the bank checks over \$500 used for all contract fund disbursements

RECOMMENDATION 8 Ensure bank reconciliations are properly prepared, adequately supported, and completed in timely manner.

RECOMMENDATION 9 Ensure unclaimed and outstanding checks are cancelled periodically and funds credited to their respective programs.

PFI Response.

We agree with these findings and accept that these recommendations require an immediate commitment to change practices. Going forward, PFI is committed to following these practices at all times

Expenditure/Cost Allocation Plan

RECOMMENDATION 10 PFI's June 2014 invoice for the LAC Youth Jobs Program did not reconcile to their financial records. Specifically, the Agency's FY 2013-14 financial records reported \$80,026 in expenditures as of June 30, 2014, but the Agency billed CSS \$140,625, resulting in \$60,599 in questioned costs. PFI did not maintain adequate documentation, such as a current lease agreement, subcontractor agreements, and participant receipt logs, to support the \$26,624 (100%) of the FY 2013-14 and FY 2014-15 expenditure transactions reviewed. Repay Community and Senior Services \$87,223 or provide additional documentation to support the expenditures.

PFI Response

We agree with this finding and accept that this recommendation requires PFI to work with CSS to provide any additional information or document to support actions and determine possible repayment. PFI will instruct accountant to generate financial reports that reflect actuals and complete program reports (DER) and submit to CSS by 11/30/2015. PFI will instruct accountant to produce required supporting document for all the FY 2013-14 and FY 2014-15 expenditure and submit to CSS by 11/30/2015

RECOMMENDATION 11 Maintain adequate documentation to support Program expenditures.

PFI Response

We agree with this finding and accept that this recommendation requires an immediate commitment to change practices. Going forward, PFI is committed to following this practice at all times

RECOMMENDATION 12 Prepare a written in compliance with the County contract and ensure shared costs are allocated to all benefitted programs.

PFI Response

We agree with this finding and accept that this recommendation requires an immediate administrative action, with a deadline established.

PFI will submit a cost Allocation Plan to CSS by December 31, 2015

RECOMMENDATION 13 Reallocate the FY 2013-14 and FY 2014-15 shared costs to all benefitted programs and repay Community and Senior Services for any overbilled amounts.

PFI Response

We agree with this finding and accept that this recommendation requires PFI to work with CSS to provide any additional information or document to support actions and determine possible repayment. PFI will instruct accountant to produce required supporting document for all the FY 2013-14 and FY 2014-15 expenditure and submit to CSS by 11/30/2015

RECOMMENDATION 14 Bill Community and Senior Service based on actual expenditures.

PFI Response

We agree with this finding and accept that this recommendation requires an immediate commitment to follow program requirements. Going forward, PFI is committed to following this practice at all times

RECOMMENDATION 15 Establish separate cost centers by program and reallocate program expenditures by program cost centers and repay Community and Senior Services for any excess amounts that were overbilled.

PFI Response

We agree with this finding and accept that this recommendation requires PFI to work with CSS to provide any additional information or document to support actions and determine possible repayment. PFI will provide detailed proof of the systematic costing practice utilized in the QuickBooks program that segregate expenditures by program/job

RECOMMENDATION 16 Obtain prior written approvals from Community and Senior Services for all matters that require prior written approvals as specified in the County contract

PFI Response

We agree with this finding and accept that this recommendation requires an immediate commitment to follow program requirements. Going forward, PFI is committed to following this practice at all times

RECOMMENDATION 17 Submit the Detailed Expenditure Report and report accruals on a monthly basis.

PFI Response

We agree with this finding and accept that this recommendation requires an immediate administrative action, with a deadline established. By 11/30/2015 PFI will obtain the form and complete one for every month FY 2014-15

RECOMMENDATION 18 Ensure purchases are properly procured based on all applicable rules and regulations.

Administrative Controls/Contract Compliance

RECOMMENDATION 19 Maintain adequate segregation of duties.

RECOMMENDATION 20 Maintain the minimum staffing levels to meet County contract requirements.

PFI Response

We agree with these findings and accept that these recommendations require an immediate commitment to change practices. Going forward, PFI is committed to following these practices at all times

RECOMMENDATION 21 Develop written accounting and personnel policies and procedures manuals and ensure compliance by personnel.

PFI Response

We agree with this finding and accept that this recommendation requires an immediate commitment to change practices. By 11/30/2015 PFI will develop a written set of policies and procedures and will commit all personnel to follow them at all times

RECOMMENDATION 22 Ensure worksite agreements are maintained and completed as required.

RECOMMENDATION 23 Provide all worksite supervisors with an orientation concerning the LAC Youth Jobs Program's objectives, worksite regulations, and policies and procedures

PFI Response

We agree with these findings and accept that these recommendations require an immediate commitment to follow program requirements. Going forward, PFI is committed to following these program specific practice at all times

Payroll and Personnel

RECOMMENDATION 24 Repay Community and Senior Services \$6,585 or provide adequate documentation to support their payroll expenditures.

PFI Response

We agree with this finding and accept that this recommendation requires PFI to work with CSS to provide any additional information or document to support actions and determine possible repayment. PFI will instruct accountant to produce required supporting document for all the FY 2013-14 and FY 2014-15 expenditure and submit to CSS by 11/30/2015

RECOMMENDATION 25 Ensure only LAC Youth Jobs Program related payroll

expenditures are billed to Community and Senior Services.

PFI Response

We agree with this finding and accept that this recommendation requires an immediate administrative action, with a deadline established.

By 11/30/2015 PFI will obtain the form and complete one for every month for the months between FY 2014-15

RECOMMENDATION 26 Ensure individuals are paid for actual hours worked.

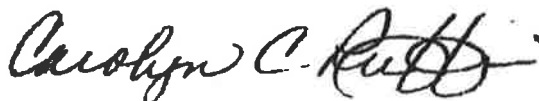
PFI Response

We agree with this finding and accept that this recommendation requires an immediate commitment to change practices. Going forward, PFI is committed to following this practice at all times

At the time the contract compliance review was conducted, the unaudited financial statements were incomplete. The agency was in the process of having all of the 2014 accounting transactions reviewed for accuracy and needed corrections. In May of 2014 the Board of Directors directed the Fiscal Manager to work with the CPA firm to reconcile and correct any recording discrepancies for 2013 and 2014. The board has approved the contracting of a local accounting firm to work with the Fiscal Manager to improve accounting protocols and procedures.

The Board of Director have determined that in order to ensure that bank reconciliations are resolved according to the A-C Handbook Section B.1.4. The Board has mandated that all financial reconciliations be closed and finalized no later than 30 days after the closing period. In addition, the Fiscal manager was instructed to research all outstanding items to determine if the item should be voided and reissued or voided completely. The Fiscal manager will submit a status report monthly to the Treasurer. In addition, a quarterly report will be reviewed by all members and documented in the quarterly board minutes.

Respectfully Submitted,



Carolyn C. Ruffin
Executive Director
Pennacle Foundation, Inc.
P.O. Box 18224
Los Angeles, CA 90043